

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

| | | | |
|---|--|---------------------------|--------------------|
| Unit Name* NOTTAWA TOWNSHIP | County* ST. JOSEPH | Type* TOWNSHIP | MuniCode* 75-1-120 |
| Opinion Date-Use Calendar* Sep 10, 2008 | Audit Submitted-Use Calendar* Sep 11, 2008 | Fiscal Year End Month* 06 | Fiscal Year* 2008 |

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

| | |
|---------------------------------------|--|
| <input checked="" type="checkbox"/> ? | 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements? |
| <input checked="" type="checkbox"/> ? | 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets? |
| <input checked="" type="checkbox"/> ? | 3. Were the local unit's actual expenditures within the amounts authorized in the budget? |
| <input checked="" type="checkbox"/> ? | 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury? |
| <input checked="" type="checkbox"/> ? | 5. Did the local unit adopt a budget for all required funds? |
| <input checked="" type="checkbox"/> ? | 6. Was a public hearing on the budget held in accordance with State statute? |
| <input checked="" type="checkbox"/> ? | 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division? |
| <input checked="" type="checkbox"/> ? | 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act? |
| <input checked="" type="checkbox"/> ? | 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy? |
| <input checked="" type="checkbox"/> ? | 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.) |
| <input checked="" type="checkbox"/> ? | 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.) |
| <input type="checkbox"/> ? | 12. Is the local unit free of repeated reported deficiencies from previous years? |
| <input checked="" type="checkbox"/> ? | 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA |
| <input checked="" type="checkbox"/> ? | 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)? |
| <input checked="" type="checkbox"/> ? | 16. Has the board or council approved all disbursements prior to payment as required by charter or statute? |
| <input checked="" type="checkbox"/> ? | 17. To your knowledge, were the bank reconciliations that were reviewed performed timely? |
| <input checked="" type="checkbox"/> ? | 18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report? |

| | |
|-----------------------------|---------------|
| General Fund Revenue: ? | \$ 367,823.00 |
| General Fund Expenditure: ? | \$ 364,754.00 |
| Major Fund Deficit Amount: | \$ 0.00 |

| | |
|--|---------------|
| General Fund Balance: ? | \$ 219,430.00 |
| Governmental Activities Long-Term Debt (see instructions): ? | \$ 0.00 |

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

| | | | | |
|--------------------------------------|-----------------------------------|--------------------------------------|-------------------|------------------------------|
| CPA (First Name)* Michael | Last Name* Wilson | Ten Digit License Number* 1101017570 | | |
| CPA Street Address* 127 W Chicago Rd | City* Sturgis | State* MI | Zip Code* 49091 | Telephone* +1 (269) 651-3228 |
| CPA Firm Name* NORMAN & PAULSEN, PC | Unit's Street Address* 221 W MAIN | Unit's City* CENTREVILLE | Unit's Zip* 49032 | |

NOTTAWA TOWNSHIP
ST. JOSEPH COUNTY, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2008

NOTTAWA TOWNSHIP

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|--------------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 2-6 |
| Basic Financial Statements | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 7 |
| Statement of Activities | 8 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 9 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities | 10 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance | 11 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 12 |
| Fiduciary Funds: | |
| Statement of Fiduciary Net Assets | 13 |
| Notes to Financial Statements | 14-24 |
| Required Supplemental Information | |
| Budgetary Comparison Schedule: | |
| General Fund | 25 |
| Library Fund | 26 |

NOTTAWA TOWNSHIP

TABLE OF CONTENTS

(Continued)

| | <u>PAGE</u> |
|--|-------------|
| Other Supplemental Information | |
| Governmental Fund Types | |
| General Fund | |
| Comparative Balance Sheet | 27 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 28 |
| Special Revenue Funds | |
| Library Fund | |
| Comparative Balance Sheet | 29 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 30 |



INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Nottawa
St. Joseph County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nottawa Township, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nottawa Township, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nottawa Township, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nottawa Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 10, 2008

Norman & Paulsen, P.C.

Norman & Paulsen, P.C.

Certified Public Accountants

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**NOTTAWA TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Nottawa Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township's net assets increased \$45,886 during the fiscal year ended June 30, 2008, which represents 4.9 percent of the net asset position at the beginning of the year.

The Township's Governmental Funds reflected a total fund balance at June 30, 2008 of \$335,212, which was a decrease of \$292,934 from the prior year end. The General Fund fund balance increased by \$3,069 to \$219,430 and the Library Fund fund balance decreased by \$296,003 to \$115,782. This decrease is the result of the purchase and renovation of a building for library operations.

The total Governmental Funds expenditures for the year ended June 30, 2008, amounted to \$905,380, of which \$281,642 (31 percent) was for general government, \$65,190 (7 percent) was for public safety, \$17,922 (2 percent) was for public works, \$173,760 (19 percent) was for recreation and cultural, and \$366,866 (41 percent) was for capital outlay.

Using This Annual Report

This annual report consists of a series of financial statements. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government, reporting individual Township operations in more detail than the government-wide statements.

- * The governmental funds statements tell how general government services were financed in the short-term as well as what remains available for future spending.
- * Proprietary fund statements offer short-and-long-term financial information about activities the Township operates like private businesses. The Township does not have any proprietary funds.
- * Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

**NOTTAWA TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Township's net assets and changes in them. The reader can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property tax base and the condition of the Township's capital assets (buildings and equipment) to assess the overall health of the Township.

In the statement of net assets and the statement of activities, the Township is divided into two kinds of activities:

- * **Governmental activities** - Most of the Township's basic services are reported here, including public safety and general administration. Property taxes and state shared revenues finance most of these activities.
- * **Business-type activities** - The Township charges a fee to customers to help it cover all or most of the cost of certain services provided. The Township has no business-type activities.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 9. The fund financial statements begin on page 9 and provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by state law and by loan covenants. However, the Township board has established several other funds to help it control and manage money for particular purposes. The Township has the following kinds of funds:

**NOTTAWA TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Reporting the Township's Most Significant Funds - Continued

- * **Governmental funds** - Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental funds in a reconciliation following the fund financial statements.

- * **Fiduciary funds** - The Township is the trustee, or fiduciary, for certain funds. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance it's operations.

The Township as a Whole

The Township's combined net assets increased from a year ago, from \$945,585 to \$991,471. This was a result of maintaining low operating costs. The Township's total net asset position continues to remain strong. In a condensed format, the table below shows key financial information:

**NOTTAWA TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Township as a Whole - Continued

| | <u>2008</u> | <u>2007</u> |
|---|-------------------|-------------------|
| Net assets as of June 30, 2008 and 2007: | | |
| Current and other assets | \$ 366,204 | \$ 651,506 |
| Capital assets | <u>656,259</u> | <u>317,439</u> |
| Total assets | 1,022,463 | 968,945 |
| Long-term debt outstanding | - | - |
| Other liabilities | <u>30,992</u> | <u>23,360</u> |
| Total liabilities | 30,992 | 23,360 |
| Net assets | | |
| Invested in capital assets net of related debt | 656,259 | 317,439 |
| Restricted | 7,919 | 7,344 |
| Unrestricted | <u>327,293</u> | <u>620,802</u> |
| Total net assets | <u>\$ 991,471</u> | <u>\$ 945,585</u> |
| Changes in net assets as of June 30, 2008 and 2007: | | |
| | <u>2008</u> | <u>2007</u> |
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 37,912 | \$ 36,482 |
| General revenues | | |
| Property taxes | 272,332 | 257,531 |
| State shared revenues | 179,402 | 176,092 |
| Interest | 12,032 | 14,079 |
| Other | <u>110,768</u> | <u>98,792</u> |
| Total revenues | 612,446 | 582,976 |
| Expenses | | |
| General government | 290,152 | 332,636 |
| Public safety | 65,190 | 52,713 |
| Public works | 17,922 | 5,619 |
| Recreation and cultural | <u>193,296</u> | <u>179,201</u> |
| Total expenses | <u>566,560</u> | <u>570,169</u> |
| Change in net assets | <u>\$ 45,886</u> | <u>\$ 12,807</u> |

**NOTTAWA TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of the Township's Funds

At the end of fiscal year 2008, the governmental funds reported a combined fund balance of \$335,212 which is \$292,934 less than last year. The General Fund reflected a fund balance of \$219,430 which is \$3,069 more than the previous fund balance of \$216,361. The Library Fund reflected a fund balance of \$115,782 which is \$296,003 less than the previous fund balance of \$411,785. This decrease is the result of the purchase and renovation of a building.

General Fund Budgetary Highlights

The Township Board amended the General Fund Budget to better reflect actual revenues and expenditures. The original budget projected a \$25,427 decrease in fund balance and the final amended budget projected a \$32,250 decrease in fund balance. Actual results reflect that the fund balance increased by \$3,069. Actual expenditures ended the fiscal year under the final amended budget by \$25,275.

Library Fund Budgetary Highlights

The Library Board amended the Library Fund budget to reflect the appropriation for the purchase and renovation of a building for library operations and to better reflect actual revenues and expenditures. The original budget projected a \$25,486 increase in fund balance and the final amended budget projected a \$320,117 decrease in fund balance. Actual results reflect that the fund balance decreased by \$296,003. Actual expenditures ended the fiscal year under the final amended budget by \$15,967.

Capital Asset and Debt Administration

Capital Assets - At June 30, 2008, the Township had \$656,259 invested in a broad range of capital assets including land, buildings, and various equipment. Additional information on capital assets can be found in note 5 on page 23 of the notes to the financial statements.

Long-term Debt - The Township has no debt obligations.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008 calls for a small increase in property taxes due to the limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that State Shared Revenue will remain consistent with the prior year.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NOTTAWA TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 302,224 |
| Accounts receivable | 57,721 |
| Prepaid expenses | 6,259 |
| Capital assets - net | <u>656,259</u> |
| Total assets | 1,022,463 |
| LIABILITIES | |
| Accounts payable | 24,677 |
| Accrued and other liabilities | 6,315 |
| Deferred revenue | <u>-</u> |
| Total liabilities | <u>30,992</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 656,259 |
| Restricted - other purposes | 7,919 |
| Unrestricted | <u>327,293</u> |
| Total net assets | <u><u>\$ 991,471</u></u> |

See accompanying notes to the financial statements

NOTTAWA TOWNSHIP

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

| | | Program Revenues | Net (Expense) Revenues And Changes In Net Assets |
|--------------------------------|-------------------|---------------------------------|---|
| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges for Services</u> | <u>Governmental Activities</u> |
| Primary government | | | |
| General government | \$ 290,152 | \$ 10,187 | \$ (279,965) |
| Public safety | 65,190 | 24,592 | (40,598) |
| Public works | 17,922 | - | (17,922) |
| Recreation and cultural | <u>193,296</u> | <u>3,133</u> | <u>(190,163)</u> |
| Total primary government | <u>\$ 566,560</u> | <u>\$ 37,912</u> | (528,648) |
| General revenues: | | | |
| Property taxes | | | 272,332 |
| State shared revenues | | | 179,402 |
| Interest income | | | 12,032 |
| Miscellaneous | | | <u>110,768</u> |
| Total general revenues | | | <u>574,534</u> |
| CHANGE IN NET ASSETS | | | 45,886 |
| NET ASSETS - BEGINNING OF YEAR | | | <u>945,585</u> |
| NET ASSETS - END OF YEAR | | | <u>\$ 991,471</u> |

See accompanying notes to the financial statements

FUND FINANCIAL STATEMENTS

NOTTAWA TOWNSHIP

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008**

| | <u>General Fund</u> | <u>Library Fund</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|-------------------------|-------------------------|---|
| ASSETS | | | |
| Cash and equivalents | \$ 187,912 | \$ 114,312 | \$ 302,224 |
| Accounts receivable | 3,434 | - | 3,434 |
| Due from other funds | - | - | - |
| Due from other governments | 28,804 | 25,483 | 54,287 |
| Prepaid expenditures | <u>6,259</u> | <u>-</u> | <u>6,259</u> |
| Total assets | <u>\$ 226,409</u> | <u>\$ 139,795</u> | <u>\$ 366,204</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ 5,625 | \$ 19,052 | \$ 24,677 |
| Accrued and other liabilities | 1,354 | 4,961 | 6,315 |
| Due to other funds | - | - | - |
| Deferred revenue | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | 6,979 | 24,013 | 30,992 |
| FUND BALANCE | | | |
| Reserved for | | | |
| Special assessments | 7,919 | - | 7,919 |
| Unreserved | | | |
| Designated for fire protection | 100,000 | - | 100,000 |
| Undesignated | <u>111,511</u> | <u>115,782</u> | <u>227,293</u> |
| Total fund balance | <u>219,430</u> | <u>115,782</u> | <u>335,212</u> |
| Total liabilities and fund balance | <u>\$ 226,409</u> | <u>\$ 139,795</u> | <u>\$ 366,204</u> |

See accompanying notes to financial statements

NOTTAWA TOWNSHIP

GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

| | | | |
|----------------------------------|--|----|---------|
| Total governmental fund balances | | \$ | 335,212 |
|----------------------------------|--|----|---------|

Amounts reported for governmental activities are
not financial resources and therefore are not
reported in the funds.

| | | | |
|---------------------------------------|----|------------------|-------------------|
| Governmental capital assets | \$ | 950,002 | |
| Less accumulated depreciation | | <u>(293,743)</u> | <u>656,259</u> |
| Net assets of governmental activities | | | <u>\$ 991,471</u> |

See accompanying notes to financial statements

NOTTAWA TOWNSHIP

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008

| | General Fund | Library Fund | Total Governmental Funds |
|--|-------------------|-------------------|--------------------------------|
| REVENUES | | | |
| Property taxes | \$ 94,184 | \$ 178,148 | \$ 272,332 |
| Tax administration fees | 32,492 | - | 32,492 |
| SET collection fee | 6,332 | - | 6,332 |
| Maint. Fee - Metro Act | 3,744 | - | 3,744 |
| State revenue sharing | 174,801 | 4,601 | 179,402 |
| Licenses, permits, and fines | 28,451 | 25,364 | 53,815 |
| Charges for services | 15,579 | 3,133 | 18,712 |
| Interest income | 5,025 | 7,007 | 12,032 |
| Special assessments | 2,400 | - | 2,400 |
| Miscellaneous | <u>4,815</u> | <u>26,370</u> | <u>31,185</u> |
| Total revenues | 367,823 | 244,623 | 612,446 |
| EXPENDITURES | | | |
| General government | 281,642 | - | 281,642 |
| Public safety | 65,190 | - | 65,190 |
| Public works | 17,922 | - | 17,922 |
| Recreation and cultural | - | 173,760 | 173,760 |
| Capital outlay | <u>-</u> | <u>366,866</u> | <u>366,866</u> |
| Total expenditures | <u>364,754</u> | <u>540,626</u> | <u>905,380</u> |
| Excess (deficiency) of revenues over expenditures | 3,069 | (296,003) | (292,934) |
| FUND BALANCE - Beginning of year | <u>216,361</u> | <u>411,785</u> | <u>628,146</u> |
| FUND BALANCE - End of year | <u>\$ 219,430</u> | <u>\$ 115,782</u> | <u>\$ 335,212</u> |

See accompanying notes to financial statements

NOTTAWA TOWNSHIP

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ (292,934)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

| | |
|---------------------------------|-----------------|
| Expenditures for capital assets | 375,436 |
| Depreciation expense | <u>(36,616)</u> |

| | |
|---|-------------------------------|
| Change in net assets of governmental activities | <u><u>\$ 45,886</u></u> |
|---|-------------------------------|

See accompanying notes to financial statements

NOTTAWA TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

| | |
|-------------------------------|------------------------|
| | Tax Fund |
| ASSETS | |
| Cash | <u>\$ 283</u> |
| LIABILITIES | |
| Undistributed tax collections | <u>\$ 283</u> |

See accompanying notes to financial statements

NOTTAWA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nottawa Township, St. Joseph County, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to townships. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies establishing GAAP and used by the Township are discussed below.

Reporting Entity

The Township was organized in 1830. The Township operates under a Board of Trustees consisting of a Supervisor, Treasurer, Clerk and two Trustees. The services rendered to residents include public safety, highways and streets, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Township (the primary government) and its component units, entities for which the Township is considered to be financially accountable. There are no component units to be included in these financial statements.

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling-up" revenues and expenses. The Township does not have any business-type activities or internal service fund activity.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTTAWA TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

NOTTAWA TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Township does not have any proprietary funds or internal service funds.

The Township reports the following major funds:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds

Library Fund - To account for the special tax millage levied by the township for operation of the library department.

The following is a description of two major categories and various fund types within those categories into which the funds are grouped:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

NOTTAWA TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within two months of year end. Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Township:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

NOTTAWA TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs.

Agency Funds - Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- * Prior to June 30, the Township Board reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted at the Township hall to obtain public comments.
- * Prior to June 30th the budget and annual appropriations act are legally adopted by the Township Board.
- * Formal budget integration is employed as a management control device during the year for all budgetary funds.
- * Budgetary control is exercised at the department level in the general fund, and at the total expenditure or "fund" level for the special revenue funds. Similarly, the Township's "appropriation centers" are defined at the department level in the general fund and at the total expenditure or "fund" level for the special revenue funds.

NOTTAWA TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * Budget transfers between appropriation centers or changes to appropriation center totals require formal amendment by the Township Board. Budgets for the current year are carefully reviewed throughout the year for any revisions of estimates. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- * All budget appropriations lapse at the end of the year.
- * Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government or federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

NOTTAWA TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property taxes are levied on December 1 and payable without penalty in one installment before February 28. Township property taxes are recognized as revenue (and become available for appropriation) in the period for which they are levied. The Township bills and collects its own property taxes and also taxes for the county and school districts in the Township. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in the current tax fund.

The 2007 taxable value of the Township totaled \$111,871,826, on which ad valorem taxes levied consisted of .87020 mills for the general operation of the Township and 1.63510 mills for library operation.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

NOTTAWA TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

| | Depreciable <u>Life-Years</u> |
|----------------------------|----------------------------------|
| Land improvements | 15 |
| Buildings and improvements | 15-40 |
| Machinery and equipment | 5-10 |
| Vehicles | 5-10 |
| Furniture and other | 5-10 |

Fund Equity - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits and investments are included on the balance sheet under the following classifications:

| | |
|---|-------------------------------|
| | <u>Primary Government</u> |
| Statement of Net Assets: | |
| Cash and cash equivalents | \$ 302,224 |
| Statement of Fiduciary Net Assets: | |
| Cash | <u>283</u> |
| Total | <u><u>\$ 302,507</u></u> |
| Deposits and Investments: | |
| Bank deposits (checking accounts and savings accounts) | <u><u>\$ 302,507</u></u> |

NOTTAWA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Deposits - The deposits of the Township were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$292,219. Of that amount, approximately \$100,283 was covered by federal depository insurance and \$191,936 was uninsured and uncollateralized.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - RECEIVABLES

Receivables in the governmental activities are 94 percent due from other governments and 6 percent accounts receivable.

Accounts receivable in the governmental activities are reported net of an allowance for uncollectible accounts of -0-.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consisted of the following at June 30, 2008:

| <u>Fund</u> | <u>Receivable</u> | <u>Fund</u> | <u>Payable</u> |
|--------------------------------|-------------------|-------------|----------------|
| <u>Due from/to other funds</u> | | | |

| | | | |
|---------|-------------------------|---------|-------------------------|
| General | \$ <u> - </u> | Library | \$ <u> - </u> |
|---------|-------------------------|---------|-------------------------|

The Due From/To Other Fund balances resulted from temporary loans to cover cash short falls in a given fund.

NOTTAWA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008, was as follows:

| | Balance July 1, 2007 | Additions | Disposals | Balance June 30, 2008 |
|---|----------------------------|---------------|-----------|-----------------------------|
| <u>Primary Government</u> | | | | |
| Governmental activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,250 | \$ 12,000 | \$ - | \$ 29,250 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 46,315 | 14,650 | - | 60,965 |
| Buildings and improvements | 148,360 | 302,184 | - | 450,544 |
| Machinery and equipment | 73,955 | 6,837 | - | 80,792 |
| Vehicle | 17,390 | - | - | 17,390 |
| Furniture and other | <u>271,296</u> | <u>39,765</u> | <u>-</u> | <u>311,061</u> |
| Subtotal | 557,316 | 363,436 | - | 920,752 |
| Accumulated depreciation | | | | |
| Land improvements | 9,936 | 3,169 | - | 13,105 |
| Buildings and improvements | 57,121 | 4,780 | - | 61,901 |
| Machinery and equipment | 67,496 | 3,461 | - | 70,957 |
| Vehicles | 3,623 | 1,739 | - | 5,362 |
| Furniture and other | <u>118,951</u> | <u>23,467</u> | <u>-</u> | <u>142,418</u> |
| Subtotal | <u>257,127</u> | <u>36,616</u> | <u>-</u> | <u>293,743</u> |
| Net capital assets being depreciated | <u>300,189</u> | | | <u>627,009</u> |
| Net capital assets | <u>\$ 317,439</u> | | | <u>\$ 656,259</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|------------------------|------------------|
| General government | \$ 8,510 |
| Recreation and culture | <u>28,106</u> |
| Total | <u>\$ 36,616</u> |

NOTTAWA TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is adopted by the Township Board and subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted on a fund level basis.

During the year ended June 30, 2008, the Township incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

NOTTAWA TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|--------------------|-------------------|-------------------|---------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 93,423 | \$ 96,295 | \$ 94,184 | \$ (2,111) |
| Tax administration fees | 31,000 | 31,000 | 32,492 | 1,492 |
| SET collection fee | - | 6,332 | 6,332 | - |
| Maint. Fee - Metro Act | - | 3,744 | 3,744 | - |
| State revenue sharing | 178,732 | 168,256 | 174,801 | 6,545 |
| Licenses and permits | 20,000 | 17,679 | 28,451 | 10,772 |
| Charges for services | 15,500 | 16,893 | 15,579 | (1,314) |
| Interest income | 5,000 | 6,120 | 5,025 | (1,095) |
| Special assessments | 2,475 | 2,475 | 2,400 | (75) |
| Miscellaneous | <u>8,032</u> | <u>8,985</u> | <u>4,815</u> | <u>(4,170)</u> |
| Total revenues | 354,162 | 357,779 | 367,823 | 10,044 |
| EXPENDITURES | | | | |
| General government | 293,249 | 298,494 | 281,642 | 16,852 |
| Public safety | 72,565 | 72,720 | 65,190 | 7,530 |
| Public works | <u>13,775</u> | <u>18,815</u> | <u>17,922</u> | <u>893</u> |
| Total expenditures | <u>379,589</u> | <u>390,029</u> | <u>364,754</u> | <u>25,275</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (25,427) | (32,250) | 3,069 | 35,319 |
| FUND BALANCE - BEGINNING OF YEAR | <u>216,361</u> | <u>216,361</u> | <u>216,361</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 190,934</u> | <u>\$ 184,111</u> | <u>\$ 219,430</u> | <u>\$ 35,319</u> |

NOTTAWA TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
LIBRARY FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|--------------------|-------------------|-------------------|---------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 182,476 | \$ 182,476 | \$ 178,148 | \$ (4,328) |
| State revenue sharing | 2,600 | 2,600 | 4,601 | 2,001 |
| Fines | 21,000 | 21,000 | 25,364 | 4,364 |
| Charges for services | 2,500 | 2,500 | 3,133 | 633 |
| Interest income | 5,000 | 5,000 | 7,007 | 2,007 |
| Miscellaneous | <u>17,400</u> | <u>22,900</u> | <u>26,370</u> | <u>3,470</u> |
| Total revenues | 230,976 | 236,476 | 244,623 | 8,147 |
| EXPENDITURES | | | | |
| Recreation and cultural | 183,490 | 188,740 | 173,760 | 14,980 |
| Capital outlay | <u>22,000</u> | <u>367,853</u> | <u>366,866</u> | <u>987</u> |
| Total expenditures | <u>205,490</u> | <u>556,593</u> | <u>540,626</u> | <u>15,967</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 25,486 | (320,117) | (296,003) | 24,114 |
| FUND BALANCE - BEGINNING OF YEAR | <u>411,785</u> | <u>411,785</u> | <u>411,785</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 437,271</u> | <u>\$ 91,668</u> | <u>\$ 115,782</u> | <u>\$ 24,114</u> |

OTHER SUPPLEMENTAL INFORMATION

NOTTAWA TOWNSHIP
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2008 AND 2007

ASSETS

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 187,912 | \$ 171,456 |
| Accounts receivable | 3,434 | 9,047 |
| Due from other governmental units | 28,804 | 27,594 |
| Due from other funds | - | - |
| Prepaid expenditures | <u>6,259</u> | <u>20,315</u> |
| Total assets | <u>\$ 226,409</u> | <u>\$ 228,412</u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | | |
|---------------------------------|----------|-----------|
| Accounts payable | \$ 5,625 | \$ 11,577 |
| Accrued payroll and taxes | 1,354 | 474 |
| Due to other governmental units | <u>-</u> | <u>-</u> |
| Total liabilities | 6,979 | 12,051 |

FUND BALANCE

| | | |
|----------------------------------|----------------|----------------|
| Reserved for special assessments | 7,919 | 7,344 |
| Unreserved | | |
| Designated for fire protection | 100,000 | 80,000 |
| Undesignated | <u>111,511</u> | <u>129,017</u> |
| Total fund balance | <u>219,430</u> | <u>216,361</u> |

| | | |
|------------------------------------|-------------------|-------------------|
| Total liabilities and fund balance | <u>\$ 226,409</u> | <u>\$ 228,412</u> |
|------------------------------------|-------------------|-------------------|

NOTTAWA TOWNSHIP

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2008

With Comparative Actual Amounts for Year Ended June 30, 2007

| | <u>2008</u> | | Variance- | 2007 |
|---|-------------------|------------------|--|------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable</u> <u>(Unfavorable)</u> | <u>Actual</u> |
| REVENUES | | | | |
| Property taxes | \$ 96,295 | \$ 94,184 | \$ (2,111) | \$ 90,120 |
| Tax administration fee | 31,000 | 32,492 | 1,492 | 31,840 |
| SET collection fee | 6,332 | 6,332 | - | 6,198 |
| Maint. fee - Metro Act | 3,744 | 3,744 | - | 3,726 |
| State revenue sharing | 168,256 | 174,801 | 6,545 | 170,370 |
| Licenses and permits | 17,679 | 28,451 | 10,772 | 15,133 |
| Charges for services | 16,893 | 15,579 | (1,314) | 18,393 |
| Interest income | 6,120 | 5,025 | (1,095) | 4,166 |
| Special assessments | 2,475 | 2,400 | (75) | 2,425 |
| Miscellaneous | <u>8,985</u> | <u>4,815</u> | <u>(4,170)</u> | <u>7,940</u> |
| Total revenues | 357,779 | 367,823 | 10,044 | 350,311 |
| EXPENDITURES | | | | |
| Township Board | 79,354 | 66,284 | 13,070 | 90,912 |
| Elections | 4,290 | 4,156 | 134 | 5,807 |
| Supervisor/Assessor | 60,684 | 60,765 | (81) | 60,560 |
| Clerk | 39,878 | 40,494 | (616) | 39,990 |
| Board of Review | 1,200 | 1,198 | 2 | 1,140 |
| Treasurer | 41,124 | 40,092 | 1,032 | 38,834 |
| Township Hall | 6,450 | 4,730 | 1,720 | 13,729 |
| Cemetery | 65,514 | 63,923 | 1,591 | 62,455 |
| Fire Protection | 50,000 | 43,427 | 6,573 | 35,573 |
| Building code | 20,389 | 18,976 | 1,413 | 15,600 |
| Planning/zoning | 2,331 | 2,787 | (456) | 1,540 |
| Drains | 11,373 | 11,613 | (240) | - |
| Highways | 3,741 | 3,640 | 101 | 3,780 |
| Special assessments | 2,501 | 1,825 | 676 | 1,000 |
| Street lighting | <u>1,200</u> | <u>844</u> | <u>356</u> | <u>839</u> |
| Total expenditures | <u>390,029</u> | <u>364,754</u> | <u>25,275</u> | <u>371,759</u> |
| Excess (deficiency) of revenues over expenditures | (32,250) | 3,069 | 35,319 | (21,448) |
| FUND BALANCE - Beginning of year | <u>216,361</u> | <u>216,361</u> | <u>-</u> | <u>237,809</u> |
| FUND BALANCE - End of year | <u>\$ 184,111</u> | <u>\$219,430</u> | <u>\$ 35,319</u> | <u>\$216,361</u> |

NOTTAWA TOWNSHIP
LIBRARY FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2008 AND 2007

ASSETS

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 114,312 | \$ 391,229 |
| Accounts receivable | - | 2,750 |
| Due from other funds | - | - |
| Due from other governmental units | <u>25,483</u> | <u>29,115</u> |
| Total assets | <u>\$ 139,795</u> | <u>\$ 423,094</u> |

LIABILITIES AND FUND BALANCE

| | | |
|---------------------------------------|-------------------|-------------------|
| LIABILITIES | | |
| Accounts payable | \$ 19,052 | \$ 2,202 |
| Accrued payroll and taxes | 4,961 | 3,607 |
| Due to other funds | - | - |
| Deferred revenue | <u>-</u> | <u>5,500</u> |
| Total liabilities | 24,013 | 11,309 |
| FUND BALANCE | <u>115,782</u> | <u>411,785</u> |
| Total liabilities and fund balance | <u>\$ 139,795</u> | <u>\$ 423,094</u> |

NOTTAWA TOWNSHIP

LIBRARY FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2008

With Comparative Actual Amounts for Year Ended June 30, 2007

| | <u>2008</u> | | Variance- Favorable (Unfavorable) | 2007 Actual |
|--|------------------|------------------|---|------------------|
| | <u>Budget</u> | <u>Actual</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 182,476 | \$178,148 | \$ (4,328) | \$167,411 |
| State revenue sharing | 2,600 | 4,601 | 2,001 | 5,722 |
| Penal fines | 21,000 | 25,364 | 4,364 | 26,670 |
| Charges for services | 2,500 | 3,133 | 633 | 2,955 |
| Interest income | 5,000 | 7,007 | 2,007 | 9,913 |
| Miscellaneous | <u>22,900</u> | <u>26,370</u> | <u>3,470</u> | <u>19,994</u> |
| Total revenues | 236,476 | 244,623 | 8,147 | 232,665 |
| EXPENDITURES | | | | |
| Wages - full time | 59,240 | 59,240 | - | 62,500 |
| Wages - part time | 42,000 | 43,185 | (1,185) | 33,606 |
| FICA expense | 8,000 | 7,821 | 179 | 7,326 |
| Magazines | 1,600 | 1,441 | 159 | 1,540 |
| Recreation program | 5,100 | 3,549 | 1,551 | 3,319 |
| Operating supplies | 6,600 | 7,321 | (721) | 5,772 |
| Contractual services | 7,800 | 7,999 | (199) | 7,517 |
| Communications | 2,500 | 2,035 | 465 | 2,237 |
| Internet | 1,500 | 1,392 | 108 | 1,275 |
| Utilities | 7,250 | 7,343 | (93) | 4,292 |
| Transportation | 650 | 568 | 82 | 489 |
| Insurance | 4,000 | 2,402 | 1,598 | 3,662 |
| Repairs and maintenance | 6,000 | 2,987 | 3,013 | 5,332 |
| Miscellaneous | 4,500 | 2,478 | 2,022 | 1,659 |
| Books and videos | 32,000 | 23,999 | 8,001 | 33,348 |
| Equipment | 28,700 | 28,721 | (21) | 4,544 |
| Building improvements | 103,353 | 103,353 | - | 3,770 |
| Land and building | <u>235,800</u> | <u>234,792</u> | <u>1,008</u> | <u>-</u> |
| Total expenditures | <u>556,593</u> | <u>540,626</u> | <u>15,967</u> | <u>182,188</u> |
| Excess(deficiency) of revenues over expenditures | (320,117) | (296,003) | 24,114 | 50,477 |
| FUND BALANCE - Beginning of year | <u>411,785</u> | <u>411,785</u> | <u>-</u> | <u>361,308</u> |
| FUND BALANCE - End of year | <u>\$ 91,668</u> | <u>\$115,782</u> | <u>\$ 24,114</u> | <u>\$411,785</u> |



REQUIRED COMMUNICATION TO THE TOWNSHIP OF NOTTAWA
IN ACCORDANCE WITH PROFESSIONAL STANDARDS

September 10, 2008

To the Township Board
Township of Nottawa, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Nottawa for the year ended June 30, 2008, and have issued our report thereon dated September 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Nottawa are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Norman & Paulsen, P.C.

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Jarrell T. Normann (1941-1982)

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Township of Nottawa, Michigan for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The relatively small number of people involved in the accounting functions of the Township makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board of Trustees must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process.

Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot, by definition, be considered a part of the government's *internal* controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of management, Board of Trustees, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Norman A. Paulson, P.C.